



INDONESIA TO ENFORCE THE IMPLEMENTATION OF CARBON PRICING IN THE POWER PLANT SUB-SECTOR

Overview

Following the issuance of PR 98/2021 on carbon pricing, the power plant sub-sector has become the first sub-sector to have its carbon pricing implementation regulated. Through MEMR Reg 16/2022, the Indonesian government will commence realizing its commitment to address and control Greenhouse Gas ("GHG") emissions in the power plant sub-sector. This regulation specifically addresses the implementation of carbon economic value in the power plant sub-sector, which includes the following: (i) the determination of PTBAE-GRK and PTBAE-PU for power plants; (ii) the obligation to prepare GHG Emission Monitoring Plan for power plants; and (iii) carbon trading.

PTBAE and PTBAE-PU

Technical Approval of GHG Emission Upper Limit for Power Plant (PTBAE) is a technical approval stipulated by the MEMR regarding the highest level of GHG

Emissions of power plants determined in a certain period. Each type of power plant will have its PTBAE determined by each subsector's GHG emissions baseline and inventory from APPLE-Gatrik, whilst taking into account the NDC target the actual timeline to reach it.

The PTBAE will be conducted in phases, although this regulation focuses on implementation up to 2030. Specifically for coal-fired power plants (PLTU), the PTBAE is divided into three phases; 2023-2024, 2025-2027, and 2028-2030. For PLTU not utilizing PLN's electricity grid, the PTBAE will be determined the latest at 31 December 2024, which means these businesses may not be as impacted by the first phase.

Each power plant will have a limit to how much it may emit GHG within a certain period of time expressed in tons of CO₂ equivalent (PTBAE-PU), which shall be received at 31 January 2023 the latest. Afterwards, recipients of PTBAE-PU are obliged to partake in carbon trading.



In addition, MEMR recently issued the MEMR Decree No. 14.K/TL.04/MEM.L/2023 on the Technical Approval of Upper Limits of Greenhouse Gas Emissions for PLTU Connected to PT PLN's Electricity Grid for the First Phase, the following is PTBAE for PLTU connected to PLN's grid for 2023 and 2024 each:

Type of CFPP	Capacity	Year of Implementation	
		2023 (tonCO ₂ e/MWh)	2024 (tonCO ₂ e/MWh)
Non-mine mouth and mouth mine	25MW ≤ x <100MW	1,297	1,297
Non-mine mouth	100MW ≤ x ≤ 400 MW	1,011	1,011
Non-mine mouth	x > 400 MW	0,911	0,911
Mine mouth	x ≥ 100 MW	1,089	1,089

The above PTBAE can be tightened by MEMR based on the evaluation of Carbon Pricing Implementation in the Coal-Fired Power Plant Sub Sector.

GHG Emission Monitoring Plan

MEMR Reg 16/2022 also regulates the provisions regarding the requirement for businesses participating in carbon trading to prepare an annual power plant GHG emissions monitoring plan in each power generation unit.

The GHG monitoring plan is submitted to MEMR through the Director General of Electricity (DGE) via the Electricity Emission Calculation and Reporting Application (APPLE-Gatrik) no later than 31 December of the current year for the next planning period.

The report itself consists of gross and net electricity generation plan and the GHG emissions target, along with supporting documents such as relevant contracts to produce the submitted production target and methodology used as provided by the GHG inventory guideline. MEMR may conduct field verification and request for adjustments on the report which must be submitted back in 5 working days.

Failure to submit or rectify this monitoring plan must result in the relevant business not being able to partake in carbon trading for the intended period.



Carbon Trading

The object for carbon trading according to this regulation is the PTBAE. It allows the holder to emit carbon dioxide (CO₂) according to the limit stated. Carbon trading between two Indonesian entities will use the Emission Trade or GHG Emission Offset mechanism, while overseas carbon trade will be regulated under MOEF. The transaction itself may be done by direct trading or by a market akin to the stock exchange. However, emission reduction certificates in the power plant sub-sector issued by other certification bodies can be stated equivalent to SPE-GRK (*Sertifikat Pengurangan Emisi Gas Rumah Kaca*) and SPE-GRK can be used in the emission offset mechanism.

Moreover, GHG offsetting may be done in businesses which do not own its own PTBAE but utilizes renewable resources; conducts energy efficiency activities in the transportation, construction, and industrial subsector; as well as other activities in the energy sector. This SPE-GRK certification process will be regulated under MOEF and the certificate, along with any validated equivalent certification by another entity, must be reported through the APPLE-Gatrik system the latest 5 working days after the certificate is considered valid.

Businesses must also report their carbon activities through the APPLE-Gatrik and SRN PPI system, which include data activity and data utilisation of power generation units based on calculation and measurement of GHG Emissions

(through Continuous Emission Monitoring System) from electricity generation, in accordance with the government methodology and guidelines to account for gross and net production as well as emissions. This report should be submitted via APPLE-Gatrik by 31 January the next year at the latest.

Carbon trade will also impact the maximum allocation for PTBAE-PU. For 2023, there is an allowance of 100%. Meanwhile, the allocation after 2023 depends on carbon trading results in the previous period carried out by each PLTU. Transactions less than 85% are allocated 85% of the PTBAE, while transactions equal to or exceeding 85% will be allocated 100%. Any surplus may be carried over for 2 years without exceeding the trading phase. However, it is still unclear under MEMR 16/2022 on the calculation of 85%.

Once the trading system is implemented, businesses causing more emissions than the allowed quota would be forced to purchase PTBAE from other businesses which have surplus quotas. DGE may also hold an auction for PTBAE-PU in case of low supply available in the market.

Closing

MEMR Reg 16/2022 provides further clarity on the procedures for implementing carbon trading in the power plant Sub-sector and a tight deadline for MEMR to establish PTBAE for PLTU connected to PLN's grid. In short, MEMR Reg 16/2022 indicates that domestic emission trading for PLTU may be carried out afterwards.



**CARBON
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LAB**

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